



# A Balanced Approach

The Department of the Interior's  
Oil and Gas Initiatives



## A Balanced Approach to Managing Oil and Gas Resources

April 1999

Last year, the Department of the Interior presented an overview of the major 1998 initiatives planned for oil and natural gas resources on public lands. We expressed our commitment to sharing information with stakeholders and others so they can participate in building an environmentally sound and economically beneficial program. I remain firmly committed to maintaining and enhancing that dialog.

Oil and natural gas produced from Federal and Indian lands help power the United States economy. As a result, more Americans have jobs, pay less for the goods they consume and services they use, and generally enjoy a higher standard of living. To continue to enjoy the benefit of these resources, we must ensure oil and gas leasing and operations are consistent with sound environmental standards, royalties and other revenues reflect fair value, and regulations do not impose unnecessary and costly burdens.

To achieve these objectives, we listen carefully to our customers—States, Tribes, local governments, the oil and gas industry, environmental groups, public interest organizations and the general public. In considering their diverse points of view and implementing minerals policies in the national interest, we have established four overarching goals.

**Ensuring Environmentally Sound and Safe Activities** - Our number one priority is to establish and enforce standards that protect the environment, ensure the safety of oil and natural gas activities on public lands, and conserve resources for future generations. Our policies must encourage safety and environmentally responsible performance. Operators who fail to meet these standards are subject to penalties.

**Fostering Economic Growth** - We will seek to facilitate energy production and sustain the health of the domestic petroleum industry. Production of oil and natural gas from public and Indian lands creates thousands of well-paying jobs, contributes to local economies, and stimulates economic development nationwide. Domestic production reduces U.S. demand for foreign oil and moderates price fluctuations in international oil markets.

**Ensuring a Fair Return on Resources** - We will ensure that Americans get fair value for their resources. Private companies paid about \$6 billion last year for the right to explore for and produce oil and natural gas from publicly-owned lands. Our job is to ensure these monies are paid and disbursed accurately and on time.

**Building A Better Government** - Finally, we will create a more efficient, customer-oriented oil and natural gas program. When regulations are required, we will make sure they are written in plain English, do not duplicate existing requirements or impose unnecessary compliance and paperwork burdens. The Vice President's challenge to create a government that works better and costs less is not just a slogan for us; it's the way we do business.



**BLM Library  
Denver Federal Center  
Bldg 50, OC-521  
P.O. Box 25047  
Denver CO 80225**





## A Balanced Approach



### What We've Accomplished

This Administration's record during the past six years demonstrates a commitment to these principles. The Bureau of Land Management (BLM) and the Minerals Management Service (MMS) have translated policies into actions that benefit producers and taxpayers, the economy and the environment. Significant accomplishments include:

***Implementing the Deep Water Royalty Relief Act*** - The MMS moved swiftly to establish procedures for granting royalty relief to certain new and existing offshore leases in deep water in the Gulf of Mexico. The royalty-free production volumes available to lessees will enable them to make the enormous financial investments necessary to find and produce oil and gas from America's new energy frontier.

***Providing Economic and Production Relief for Onshore Oil Producers*** - The BLM reduced royalty rates for producers of heavy crude oil to offset the high cost of production. The agency also allows operators of stripper oil properties (leases producing less than 15 barrels per day) to shut in their leases until it becomes economical to resume production. These actions provide economic incentives, prevent lease expirations, and suspend the requirement to pay rentals or minimum royalties during the shut-in.

***Ensuring Financial Responsibility for Offshore Oil Facilities*** - MMS worked with stakeholders to amend the Oil Pollution Act of 1990 (OPA) to ensure that offshore facilities could pay cleanup costs and damages if a spill occurred, without imposing unwarranted costs on industry. The amended Act ensures protection of the environment, at less cost to the Federal government and the private sector.

***Safe and Environmentally Sound Activities*** - MMS has been working actively with industry to promote the voluntary adoption of a Safety and Environmental Management Program (SEMP) by all OCS operators. This initiative is focused on enhancing industry efforts to protect people, facilities, and the marine environment. It has become the backbone of many offshore companies' safety management systems.

***Providing Access to Public Resources*** - BLM completed an integrated activity plan and environmental impact statement for the northeast portion of the National Petroleum Reserve-Alaska (NPPRA). Approximately 4 million acres of land was identified and will be available for leasing in May 5, 1999 sale.

***Implementing the Royalty Fairness and Simplification Act*** - Since the Act's passage in 1996, MMS has worked aggressively to implement many provisions. The agency has already issued regulations to implement the Act's State delegation provision and is paying interest for royalty overpayments.

***Improved Customer Service*** - The BLM has launched an extensive outreach program to improve customer service and write regulations in plain English so they are easily understood.

Sylvia V. Bana

Acting Assistant Secretary

Land and Minerals Management





# A Balanced Approach



What We've Accomplished

The Administration's record during the past year demonstrates a commitment to these principles. The Department of the Interior (DOI) and the National Wildlife Federation (NWF) have worked together to bring about a new balance between the economy and the environment. Significant accomplishments include:

Implementing the Energy Policy Act of 1992 - The Energy Policy Act of 1992 (EPA) was signed into law on August 8, 1992. This landmark legislation provides a framework for energy policy and includes provisions for the production of renewable energy, the conservation of energy, and the protection of the environment. The Act also provides for the development of a new energy program.

For the Economic and Environmental Protection Act - The EEP Act was signed into law on August 8, 1992. This landmark legislation provides a framework for economic and environmental protection. The Act includes provisions for the development of a new energy program, the conservation of energy, and the protection of the environment. The Act also provides for the development of a new energy program.

Enacting the National Energy Policy Act - The NEPA was signed into law on August 8, 1992. This landmark legislation provides a framework for energy policy and includes provisions for the production of renewable energy, the conservation of energy, and the protection of the environment. The Act also provides for the development of a new energy program.

Light and Environmentally Sound Act - The LESA was signed into law on August 8, 1992. This landmark legislation provides a framework for energy policy and includes provisions for the production of renewable energy, the conservation of energy, and the protection of the environment. The Act also provides for the development of a new energy program.

Protecting Access to Public Lands - The PLAA was signed into law on August 8, 1992. This landmark legislation provides a framework for energy policy and includes provisions for the production of renewable energy, the conservation of energy, and the protection of the environment. The Act also provides for the development of a new energy program.

Implementing the Energy Policy Act of 1992 - The EPA was signed into law on August 8, 1992. This landmark legislation provides a framework for energy policy and includes provisions for the production of renewable energy, the conservation of energy, and the protection of the environment. The Act also provides for the development of a new energy program.

Enacting the National Energy Policy Act - The NEPA was signed into law on August 8, 1992. This landmark legislation provides a framework for energy policy and includes provisions for the production of renewable energy, the conservation of energy, and the protection of the environment. The Act also provides for the development of a new energy program.





## A Balanced Approach



### Where We're Headed

Department of the Interior employees work closely with State and local governments, other Federal agencies, industry, environmental groups, and the general public to balance the diverse concerns represented by these constituency groups. They all contribute significantly to the process to help us meet our program objectives and make these accomplishments possible.

We will continue to develop policies and programs that are in the best interests of all Americans. This year, we have already launched several new initiatives:

- The BLM will implement electronic permitting so onshore operators may submit their applications to the agency electronically.
- The BLM will conduct a lease sale in the National Petroleum Reserve-Alaska.
- MMS is reengineering the Royalty Management Program's core business processes for a more cost effective way of doing business.
- We will collect royalties-in-kind from companies producing oil from Federal leases in the Gulf of Mexico and transfer the oil to the Department of Energy to refill the Strategic Petroleum Reserve.
- To help the domestic industry adjust to and survive low oil prices, MMS lowered price forecasts used by existing leaseholders that apply for deep water royalty relief. The agency also revised the application guidelines for deep water and end-of-life royalty relief.

This booklet contains briefing papers about our current oil and gas program initiatives. These initiatives pose both opportunities and challenges. The tasks before us are difficult, yet I believe we can build on the solid accomplishments of the past to ensure the environmentally-sound production of vital oil and natural gas resources well into the 21<sup>st</sup> century.

I welcome your comments and recommendations and look forward to working with you.

Sylvia V. Baca  
Acting Assistant Secretary  
Land and Minerals Management

BLM Library  
Denver Federal Center  
Bldg 50, OC-521  
P.O. Box 25047  
Denver CO 80225







## Table of Contents

### Minerals Management Service Issues

Oil to Refill the Strategic Petroleum Reserve (SPR) .....	2
Royalty-in-Kind (RIK) Pilots .....	3
Self-bonding Rulemaking .....	4
Amending Appeals Procedures .....	5
Chronic Erroneous Reporting Rule .....	6
Reengineering of Royalty Management Program's Business Processes .....	7
Reporting and Paying Royalties for Federal Oil and Gas Leases .....	8
Electronic Freedom of Information Act (EFOIA) System .....	9
Change to Delegated State Audit Functions .....	10
Federal Oil Valuation Rulemaking .....	11
Indian Oil Valuation Rulemaking .....	12
Electronic Reporting Rulemaking .....	13
Valuation of Gas Production from Indian Leases .....	14
Accounting Relief for Marginal Properties .....	15
Eligible Refiner Oil Royalty-in-Kind (RIK) Pilot Study .....	16
Development of International Standards and Monitoring Instruments of International Law .....	17
Floating Production, Storage, and Offloading Systems Environmental Impact Statement .....	18
Socioeconomic Effect of OCS Oil and Gas Activities on Port Areas Along the Gulf of Mexico .....	19
Performance-Based Training of OCS Lessee and Contractor Employees .....	20
Resolution of the "Western Gap" Area .....	21
Deepwater Environmental Assessment .....	22
Submitting Bids at OCS Lease Sales via Electronic Funds Transfer (MMS) .....	23
Post-Lease Operations (Subpart A Rule) .....	24
Lease Decommissioning .....	25
High Energy Seismic Surveys .....	26
Oil and Gas Drilling Operations .....	27
Exploration and Development Plans .....	28
OCS Lease Sales - Gulf of Mexico .....	29
Safety and Environmental Management Program (SEMP) .....	30

### Bureau of Land Management Issues

Suspensions of Stripper Well Leases .....	31
Leasing in the National Petroleum Reserve Alaska .....	32
Access to Federal Lands Containing Natural Gas Resources .....	33
National Outreach for Oil and Gas Issues .....	34
Oil and Gas Comprehensive Rule .....	35
Proposed Rule on Oil and Gas Drainage .....	36
Rights-of-Way .....	37
Amending Appeals & Hearing Procedures .....	38
Cost Recovery .....	39
Electronic Permitting .....	40
Cooperative Efforts With States .....	41
Enhanced Oil and Gas Production Verification Efforts on Federal and Indian Lands .....	42

CONTACT:

Lyn Hadd (202) 248-7485



# A Balanced Approach

## DOI Oil and Gas Initiatives

### **ISSUE: Royalty-in-Kind Oil to Refill the Strategic Petroleum Reserve (SPR) (MMS)**

**PURPOSE:** To partially refill SPR, which is operated by the Department of Energy (DOE), with federal royalty oil from production in the Gulf of Mexico (GOM). This initiative is meant to replace approximately 28 million barrels of oil which were sold from the Reserve in fiscal years 1996 and 1997, largely for deficit reduction purposes.

**STATUS:** Out of a total of about 1.1 million barrels of oil per day produced from federal leases in the GOM, the government's royalty share is about 160,000 barrels per day, of which up to 100,000 barrels per day will be dedicated to SPR. MMS and DOE are working together to arrange deliveries of royalty oil to the SPR. Initial agreements have been signed for almost 50,000 barrels per day of royalty oil, with initial deliveries beginning no later than May 1, 1999. Starting this summer, the program will expand to up to 100,000 barrels per day, through a competitive process.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- Increases the national energy security of the country and enhances its strategic assets.

#### **Ensuring a Fair Return on Public Resources:**

- Takes advantage of current low oil prices to rebuild the nation's strategic oil reserves and provides a likely high rate of return for tomorrow.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### ISSUE: Royalty-in-Kind (RIK) Pilots (MMS)

**PURPOSE:** To assess the effectiveness of taking Federal oil and gas royalties “in-kind”. The Federal government would take oil and gas royalties as a share of production rather than a cash payment based on its realized value.

**STATUS:** MMS is developing three RIK pilot projects: 1) A joint effort with the state of Wyoming involving oil from Federal and State leases, 2) a joint effort with the Texas General Land Office involving natural gas from leases in the 8(g) section of the Outer Continental Shelf (OCS) off the coast of Texas, and 3) natural gas from OCS leases in the Gulf of Mexico (GOM). The first 2 pilots are underway while the GOM project is scheduled to begin in October 1999.

### HIGHLIGHTS & BENEFITS:

#### **Building a Better Government:**

- The pilots will tell us not only if RIK is an effective royalty collection method, but how, when, and where it makes sense to exercise the RIK option.
- MMS is meeting frequently with representatives of federal, state and private organizations to obtain input on revenue impacts, transportation arrangements, competitive bidding procedures, bidding packages, timing of bids, reporting, auditing, and other administrative requirements.

#### **Ensuring a Fair Return on Public Resources:**

- The option to take royalties in kind is a feature of both the Mineral Leasing Act and the Outer Continental Shelf Lands Act. Any election to take the royalty portion of the lease’s production in-kind rather than in-value would be based solely on being able to deliver full and fair value to the taxpayer. This is a difficult standard since under RIK the government bears marketing costs that are not deducted from the traditional “in-value” royalty collection. Accordingly, RIK has not been used in the past as a substitute to “in-value” royalties, rather, only as a method to provide a secure supply of oil to small refiners.
- Further experience with RIK pilots may disclose ways to obtain increased value or reduce administrative costs and burdens for both government and industry, making the project beneficial to everyone.

### CONTACT:

Lyn Herdt (202) 208-3985



### **ISSUE: Amendments to Regulations Governing Suspension of Orders or Decisions Pending Appeal ("Self-bonding" Rulemaking) (MMS)**

**PURPOSE:** This rulemaking will provide for "self-bonding" by allowing a company to substitute a determination of financial solvency for the current requirement that a surety be posted for each demand appealed. The rule retains the requirement that surety be posted for demands for payments on Indian leases. This rule will allow "self-bonding" for all appeals of demands for payments on Federal oil and gas, geothermal, and mineral leases.

**STATUS:** The proposed rule has been published as part of the Administrative Appeals rule because the same sections of the CFR are impacted. A projected date for publication of the final rule in the *Federal Register* is May 1999.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government**

- Implements provisions of RSFA for lessees or designees.
- RSFA requires MMS to allow companies to "self-bond" if they are financially solvent.
- Clarifies standard for financial solvency.
- Clarifies who must bond (or self-bond) under liability.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Amending Appeals Procedures (MMS)**

**PURPOSE:** The MMS is proposing to amend its regulations for administrative appeals procedures, to streamline the process, implement provisions of the Royalty Simplification and Fairness Act, and respond to requests of its constituents.

**STATUS:** MMS published a proposed rule on January 12, 1999. Part of the proposed rule will become final in May 1999. Pursuant to significant comments, some of the appeals procedures in the proposed rule will be revised and published final at a later date.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government, Fostering Economic Growth:**

- Will streamline the appeals process and foster better relations between MMS and its constituents.

#### **Ensuring a Fair Return on Public Resources**

- Will preserve the compliance and appeals process to insure a fair return on the mineral leases administered by DOI.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Chronic Erroneous Reporting Rule (MMS)**

**PURPOSE:** This rule is mandated by Section 6(f) of Royalty Simplification and Fairness Act to encourage industry to properly report and pay royalties to MMS for oil and gas produced from Federal lands. The rule would encourage better reporting by charging monetary assessments to those companies who chronically submit erroneous reports and payments. The amount of the assessment would correspond with the type or the continuance of the reporting or payment error.

**STATUS:** MMS is working on an initial draft of the proposed rule, which is under review in the Department. We expect to publish the proposed rule in the Federal Register in late 1999.

#### **HIGHLIGHTS & BENEFITS:**

##### **Ensuring a Fair Return on Public Resources:**

- More timely and accurate payments by the industry will help the public by reducing the costs to industry and the government from having to continually correct such errors.

##### **Building a Better Government:**

- Assessments would be issued only if a company committed the same error in multiple months.

#### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Reengineering of Royalty Management Program's Business Processes (MMS)**

**PURPOSE:** The RMP is reengineering its business processes and automated systems to carry its operations into the 21st century. The reengineering effort will transform RMP from a function-based to a process-centered organization and will restructure RMP activities into two end-to-end processes -- financial management and compliance and asset management. These processes will be highly integrated, focused on outcomes, less costly, and designed to meet the growing needs of RMP's customers and changing business climate of the oil and gas industry.

**STATUS:** Issued "Road Map to the 21st Century" in November 1998. Start-up of operational models for onshore oil and gas leases, offshore oil and gas leases, and solid minerals leases in early 1999. The operational models will apply the compliance and asset management process in a live environment to logical subsets of leases in producing basins or areas; develop a more thorough understanding of information technology requirements; determine, in concert with States and Tribes, delegation implications; and address organizational and cultural issues.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- Complete audits for all leases within 3 years of royalty due date.
- Provide revenue recipients with access to their money within 24 hours of the due date.
- Reduce industry reporting requirements by 40%.
- Update aging computer systems.

#### **Ensuring a Fair Return for Public Resources:**

- Support the collection of royalties in cash or in kind.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Reporting and Paying Royalties for Federal Oil and Gas Leases (MMS)**

**PURPOSE:** This rulemaking is mandated by section 6(d) of RSFA. It would explain to lessees when to report and pay royalties based on the amount of production they actually took and sold from the lease and when they should report and pay based on the amount of production they are entitled to determined by their ownership interest in the lease. The rulemaking would also provide for alternative reporting methods and an exception for marginal properties.

**STATUS:** A draft proposed rule is being reviewed within the Department. MMS expects to publish the proposed rule in the Fall of 1999.

#### **HIGHLIGHTS & BENEFITS:**

##### **Building a Better Government :**

- Eliminates discrepancies and associated administrative burdens of determining who is responsible to pay royalties on production removed from the lease.
- Eliminates similar disputes among lessees.

##### **Ensuring a Fair Return on Public Resources:**

- Will clarify reporting responsibilities to lessees so that royalties are paid on the correct volume of production.

#### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Electronic Freedom of Information Act (EFOIA) System (MMS)**

**PURPOSE:** The EFOIA system was developed for the Royalty Management Program (RMP) to comply with the Electronic Freedom of Information Act Amendments of 1996. The RMP system is one of the first electronic FOIA systems in the Department to provide the ability to scan, fax, index, redact, store and retrieve documents electronically. It also automatically publishes the public FOIA requests (with indexes) to an Internet web page where customers can search the database to access FOIA information online. The system allows for more efficient processing of RMP FOIA business transactions by drastically reducing the amount of paper used in the process.

**STATUS:** The system is operational. Some refinements are being made to fix minor technical problems. Additional system enhancements are being considered for possible bureau-wide application.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- Reduced cycle time to complete work due to the electronic processing of documents.
- Elimination of processing bottlenecks and delays.
- Improved clerical, professional and managerial effectiveness due to reengineered workflow.
- Elimination of lost or misfiled documents and reduction of the "information float".
- Provide simultaneous, multiple-user access to the same information.
- Improved efficiency of personnel through the elimination of the need for filing and re-filing documents.
- Complies with EFOIA requirement to make more information available electronically and to publish frequently requested records on the internet.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Change to Delegated State Audit Functions (MMS)**

**PURPOSE:** This rulemaking would allow States which choose to assume audit duties to do so for less than all of the Federal mineral leases within the State or leases offshore of the State, subject to section 8(g) of the Outer Continental Shelf Lands Act. The current delegation regulations require States to audit all Federal leases within their purview. This change is necessary for States, which are now delegated audit authority under Federal Oil and Gas Royalty Management Act, to continue to have that audit authority without significantly altering their staffing, funding, or other operations. Under this proposal, the States can designate the limits of their audit activity each year through an annual audit work plan. This change would also enable the MMS to continue to assist a State in its audit efforts when necessary.

**STATUS:** MMS published a proposed rule on February 10, 1999. MMS expects to publish the final rule by August 1999.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- Allows States to continue auditing Federal leases within the limits of their available resources.

#### **Ensuring a Fair Return on Public Resources:**

- State audits of Federal leases ensure that lessees are paying proper royalties .

### **CONTACT:**

Lyn Herdt (202) 208-3985



### ISSUE: Federal Oil Valuation Rulemaking (MMS)

**PURPOSE:** This rulemaking amends Federal oil valuation regulations to reduce reliance on posted prices and increase use of index prices for valuation under non-arm's-length oil sales.

**STATUS:** Fourth proposed rulemaking published in the Federal Register on July 16, 1998. Moratorium on publishing final rule extended until June 1, 1999. Reopened comment period March 12, 1999, until April 27, 1999. Workshops to discuss proposals and gather comments were held in Houston, TX, on March 24; in Albuquerque, N.M., on March 25; and in Washington, D.C., on April 6-7.

### HIGHLIGHTS & BENEFITS:

#### Ensuring a Fair Return on Public Resources:

- Maintains gross proceeds as value for arm's-length contracts (includes arm's-length resales by affiliates)
- For non-arm's-length contracts value standards differ for unique marketing areas of the country (adjusted for location & quality):
  - **CA & AK:** value based on AK North Slope (ANS) spot prices;
  - **Rocky Mountains:** value on MMS-approved tendering program; weighted average of arm's-length sales; or NYMEX prices; and
  - **Gulf of Mexico and Rest of Country:** closest spot price.
- Location, quality, and transportation adjustments based on actual costs or MMS published rates. (MMS would publish rates using information collected from industry on Form MMS-4415.)
- Marketing costs would not be deductible. (However, MMS would not second-guess lessees' marketing decisions.)
- Using index prices over posted prices would increase revenues to Treasury by \$66 million.

#### Building a Better Government:

- Develop rules that are simple, clearer, and more certain for leases so that royalties are paid correctly the first time instead of after audit years later.

### CONTACT:

Lyn Herdt (202) 208-3985



### ISSUE: Indian Oil Valuation Rulemaking (MMS)

**PURPOSE:** This rulemaking will reduce reliance on posted prices and increase use of index prices for proper valuation. These changes will ensure that Indian lessors receive maximum revenues from their mineral resources as required by the unique terms of Indian leases and MMS's trust responsibility to the Indian lessor. Further, these changes will improve the accuracy of royalty payments at the time the royalties are due.

**STATUS:** MMS published a proposed rulemaking on February 12, 1998, in the Federal Register. The public comment period ended April 13, 1998. In October 1998, the Senate Committee on Appropriations approved language that would extend the delay of issuing the Indian oil valuation rule until June 1, 1999. However, before issuing a final rule, we plan to issue a supplementary proposed rule to update the rule to reflect concerns expressed during the Federal rulemaking process. In December 1998, MMS met with representatives of the Indian community to get feedback concerning the changes MMS would propose in the supplementary proposed rule. MMS plans to publish this proposal in Spring 1999.

### HIGHLIGHTS AND BENEFITS:

#### Ensuring a Fair Return on Public Resources:

- The February 1998 rule proposed that, to satisfy the lease terms, value would be based on the highest of the following three methods: arm's-length gross proceeds; average of five highest NYMEX prices for the month, adjusted for location and quality; and major portion value calculated and published by MMS.
- Location, quality, and transportation adjustments would be on actual costs or MMS published rates. MMS would publish rates using information collected from industry on new Form MMS-4416.
- Expected revenue increase to Indians would be about \$3.6 million.

#### Building a Better Government:

- Public meetings held on March 26, 1998, in New Mexico, and April 1, 1998, in Colorado, concerning the rulemaking. Additional meetings with tribes and other interested parties on December 7, 1998, in Colorado and on January 6, 1999, in Texas.

### CONTACT:

Lyn Herdt (202) 208-3985



### ISSUE: Electronic Reporting Rulemaking (MMS)

**PURPOSE:** This rulemaking will amend MMS's regulations to require reporters to submit selected royalty and production reports electronically. The rule will reduce the costs and error rates associated with paper reporting. Currently over 80% of royalty and nearly 60% of production report lines are submitted electronically. Electronic reporting reduces the number of errors due to transcription, key entry, etc. Although most major companies report electronically, there are still many companies that submit paper reports.

**STATUS:** MMS published a proposed rulemaking on April 8, 1998, with a 60-day comment which ended on June 8, 1998. We have analyzed the comments received and amended our proposed rule to meet public concerns when necessary and appropriate. One of the most significant changes we plan to make to the proposed rule is to eliminate the requirement to file Form MMS-3160, Monthly Report of Operations, electronically. We plan to make this change because of our reengineering efforts to reduce industry production reporting requirements by eliminating Form MMS-3160 in two years. One of our reengineering proposals, among others, is to use one form for onshore and offshore production reporting and eliminate Form MMS-3160. MMS published proposed production reporting changes in a February 23, 1999, Federal Register Notice.

### HIGHLIGHTS AND BENEFITS:

#### Ensuring a Fair Return on Public Resources:

- Substantial savings in data entry costs.

#### More Efficient - Customer Focus:

- MMS has numerous options for electronic reporting.
- Rule should assist in prioritizing the electronic conversion efforts for companies.
- MMS added a timetable to the rule which will help phase small reporters into electronic reporting for Forms MMS-2014 and MMS-4054 over the next 2 ½ years.

### CONTACT:

Lyn Herdt 202-208-3985



### **ISSUE: Valuation of Gas Production from Indian Leases (MMS)**

**PURPOSE:** This rulemaking will ensure that Indian mineral lessors receive the maximum revenues from mineral resources on their land consistent with the Secretary's trust responsibility and lease terms. The rule will develop flexible valuation methodologies for Indian production that will provide accuracy for royalty valuation, and will improve major portion analysis and dual accounting procedures. The framework for this rulemaking was the product of an Indian Gas Valuation Negotiated Rulemaking Committee.

**STATUS:** MMS published a proposed rulemaking on September 23, 1996. MMS is currently developing a final rulemaking.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- Planning to conduct training sessions for industry to explain the rule and new reporting procedures.
- Payors do not have to file allowances forms if they are in an index zone or in arm's-length situations for non-index areas.

#### **Ensuring a Fair Return on Public Resources:**

- Leases in an index zone will value gas based on index formula using highest prices.
- Rulemaking provides for an alternative methodology for dual accounting for Indian gas.
- For leases not in an index zone, the major portion percentage is increased.
- Indian revenues are expected to increase annually by \$2.4 million.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Accounting Relief for Marginal Properties (MMS)**

**PURPOSE:** This rulemaking allows royalty reporters to seek accounting, reporting, and auditing relief for their marginal properties in accordance with the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA). The rulemaking explains to lessees and their designees how to obtain royalty accounting and auditing relief for their marginal properties. The stated purpose of this rulemaking is to promote production, reduce administrative costs, and increase net receipts to the United States and the States.

**STATUS:** We published a proposed rule in the Federal Register for marginal properties on January 21, 1999, with a comment period open to March 22, 1999. On March 22, 1999, we published a Federal Register notice extending the comment period for 30 days to April 21, 1999. This 30-day extension was requested by several States. We are working towards publishing a final rule by December 1999.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- The rule specifies production requirements for marginal property status for accounting relief purposes and provides for six relief options. These relief options are: cumulative royalty reports and payments relief, net adjustments reporting relief, rolled-up reporting relief, alternative valuation relief, audit relief, and other relief.
- Rulemaking outlines processes involved for accounting relief for the lessee, the State concerned, and MMS.
- Rulemaking provides that the lessee must either notify MMS in advance or request approval depending on the relief option sought.

#### **Fostering Economic Growth:**

- Rulemaking will promote oil and gas production by keeping marginal properties in producing status longer.

#### **Ensuring a Fair Return on Public Resources:**

- Rulemaking will reduce administrative costs to lessees and to MMS, and increase net receipts to the United States and States.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Eligible Refiner Oil Royalty-in-Kind (RIK) Pilot Study (MMS)**

**PURPOSE:** Royalty Management Program, MMS, has conducted a pilot study to explore more efficient alternatives for reporting and paying for Federal oil sold to eligible RIK refiners. This pilot focussed on using delivered RIK oil volumes for reporting and paying purposes rather than under our current procedure of using entitled volumes for billing small RIK refiners.

**STATUS:** This pilot study began in January 1998 and ran for 11 months. A report and recommendations will be submitted to the Director, MMS, in April 1999. As part of the MMS's process reengineering, MMS concluded that a proactive, structured, documented methodology should be established for conducting all future RIK sales.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- Could significantly streamline & re-engineer the eligible refiner oil RIK program.
- May bring cost savings to the government, small refiners, and operators/lessees.
- May streamline RMP's operations for RIK billing and surety requirements.

#### **Ensuring a Fair Return on Public Resources:**

- May bring RIK oil price certainty to the small refiner because of contract amendments.
- Small refiners may be billed on delivered RIK oil volumes.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Development of International Standards and Monitoring Instruments of International Law (MMS)**

**PURPOSE:** The MMS requested \$250,000 in FY 2000 to more actively participate in the development of comprehensive sets of recognized and compatible standards through national and international organizations such as the American Petroleum Institute (API) and the International Organization for Standardization (ISO). These funds will also enable MMS to respond to increasing requests from the Department of State to monitor and provide technical input to instruments of international law and international organizations that relate directly to our domestic regulatory authority. This issue bears directly on U.S. offshore oil and gas operations.

**STATUS:** The MMS and the API Exploration and Production Department have recently renewed and enhanced informal arrangements on inter-staff communications and assistance. The MMS involvement in API technical committees and work groups will increase throughout this year. The MMS and API are also investigating the potential for joint research projects.

### **HIGHLIGHTS AND BENEFITS:**

#### **Building Better Government:**

- The MMS participation in these international organizations and fora developing regional guidelines and standards is vital to assess and influence potential impacts to our domestic oil and gas industry. This participation also enhances the industry government communication and partnership efforts in developing complementary approaches to developing operational standards.

#### **Environmentally Sound and Safe Activities:**

- The MMS involvement in these international organizations and fora, helps to ensure that a U.S. perspective is included in discussions regarding the development of regional guidelines and standards for offshore operations. This enhances the safety of U.S. OCS operations because operators have a consistent set of guidelines and standards from country to country that reflects the input of the best U.S. regulatory and operational practices.

### **CONTACT:**

Lyn Herdt (202)208-3985



### **ISSUE: Floating Production, Storage, and Offloading Systems Environmental Impact Statement (MMS)**

**PURPOSE:** Floating Production, Storage, and Offloading (FPSO) System technology and shuttle tankering of OCS crude oil are new to the Gulf of Mexico OCS. The Minerals Management Service (MMS) will prepare an environmental impact statement (EIS) to assess the potential impacts of FPSO operations and associated support activities. Formal public scoping meetings will be held to solicit public input on the issues, alternatives, and mitigation measures to be considered for inclusion in the EIS. The EIS will be prepared by a contractor and is to be completed within 18 months of contract award.

**STATUS:** The contract will be awarded in April 1999. Five public scoping meetings will be held during the summer 1999. The final EIS will be completed in November-December 2000.

### **HIGHLIGHTS AND BENEFITS:**

#### **Building Better Government:**

- An assessment of the potential impacts of FPSO's being added to industry's "tool box" of development options will help MMS make better decisions regarding their implementation.

#### **Fostering Economic Growth:**

- The EIS will provide the information necessary for informed decisionmaking on specific proposals to use FPSO technology in the Gulf of Mexico.

#### **Environmentally Sound and Safe Activities:**

- The EIS will identify and evaluate the significance of potential impacts from FPSO operations in the Gulf of Mexico.
- The EIS will assess alternatives for specific aspects of FPSO operations and will identify measures to mitigate potential environmental impacts.

### **CONTACT:**

Lyn Herdt, (202) 208-3985



### **ISSUE: Socioeconomic Effect of OCS Oil and Gas Activities on Port Areas Along the Gulf of Mexico (MMS)**

**PURPOSE:** The MMS seeks a greater understanding and more detailed information on the effects of the OCS oil and gas activities on ports and their surrounding environs. The MMS has found that many of the positive and negative effects are concentrated in areas containing support facilities for offshore oil and gas activities. Benefits include expanded employment opportunities and an increase in the tax base. Costs include increased demands on infrastructure (such as roads, water systems, schools, and social services) and reliance on an industry with a cyclic pattern of employment.

**STATUS:** The MMS has funded three small studies that assess effects of offshore development at the local level for the Florida Panhandle, coastal Alabama, and Port Fourchon, Louisiana. All three studies are nearly complete; drafts of the coastal Alabama and Port Fourchon studies are available. Building on these pilot studies, MMS has begun two larger studies to address this issue. One study will assess the benefits and burdens of OCS activities to port areas in Texas, Louisiana, Mississippi, and Alabama. A second study will provide models to project these effects. Both will be complete in about two and a half years although data from them will begin to be available in one year.

### **HIGHLIGHTS AND BENEFITS:**

#### **Building Better Government:**

- Constructive interactions between the federal and State governments are a key to building better government and the socioeconomic costs of OCS activities are an important issue in these interactions.
- Information on local effects will encourage better State-Federal government interaction.

#### **Fostering Economic Growth:**

- Port areas are points where OCS activities directly promote economic growth.
- Better information about what benefits and costs are incurred, and how they are incurred, will help local governing agencies plan prudent investments.

#### **Ensuring a Fair Return on Public Resources:**

- This information will allow States to assess the economic costs and benefits of OCS activities at the county/parish level.

### **CONTACT:**

Lyn Herdt (202)208-3985



### **ISSUE: Performance-Based Training of OCS Lessee and Contractor Employees (MMS)**

**PURPOSE:** A performance-based training regulation will help MMS ensure that OCS lessee and contractor employees are properly trained with the skills needed to perform their jobs in a safe manner. MMS believes the current school-based training regulation needs to be changed because companies are focusing on an employee's completion of a course rather than on ensuring their employees have the ability and skills necessary to perform their job. Safety is always MMS's primary objective. By focusing on results rather than on the process used to acquire job skills companies will be able to tailor their program to the specific areas where their employees need training the most. MMS will reward companies which develop and implement an effective program by spending less time evaluating their training activities.

**STATUS:** The proposed rule that implements a performance-based training system was submitted to the Office of Management and Budget on January 15, 1999. Once their review is completed, the rule will be published in the Federal Register for a 90 day comment period. Plans are to hold a public workshop on the proposal during the comment period.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- Provides flexibility to industry to design their own training programs.
- Allows companies the opportunity to develop alternative training programs.
- Focuses on results rather than the process used to acquire job skills.

#### **Environmentally Sound and Safe Activities:**

- Helps MMS ensure OCS employees have appropriate job skills.
- Allows MMS to spend more time monitoring poor performers.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Resolution of the “Western Gap” Area (MMS)**

**PURPOSE:** On October 22, 1997, the U.S. Senate ratified the U.S. Maritime Boundary Treaty which delineated the GOM and Pacific Ocean boundaries up to 200 nautical miles. The “Western Gap” is an area within the Gulf of Mexico beyond the 200 nautical miles over which the U.S. and Mexico may have overlapping claims. There may be significant oil and gas resources within the Western Gap. Resolution of the Western Gap boundary will provide certainty to the U.S. oil and gas leasing and development program.

**STATUS:** The MMS is a representative on the U.S. Delegation charged with resolving this boundary issue. The U.S. Delegation has had three rounds of formal negotiations with a delegation from Mexico within the past year. The first of these took place in Washington, D.C. on March 26 and 27, 1998. The second round was held in Mexico City on May 20 and 21, 1998. The third round took place in Washington, D.C. on February 1 and 2, 1999. All of the discussions and technical efforts to date have been amicable and productive. Currently, technical personnel from both countries are gathering and analyzing data and information necessary to delineate the boundary. We expect another round will take place in Spring 1999 in Mexico City. We anticipate that our upcoming session will produce significant progress in our efforts to delimit this boundary.

### **HIGHLIGHTS & BENEFITS:**

#### **Fostering Economic Growth:**

- Establishing a boundary which delineates the extent of each country’s continental margin provides certainty for the U.S. oil and natural gas leasing and development program and thereby contributes economic and energy benefits to the nation.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Deepwater Environmental Assessment (MMS)**

**PURPOSE:** The MMS is preparing an Environmental Assessment (EA) to identify and evaluate the significance of impacts from OCS deepwater activities; to identify deepwater activities/impacts that are the same as those on the shelf and those that are different; to identify appropriate mitigation measures; to focus subsequent NEPA documents; and to provide a summary of deepwater technologies, activities, and impacts.

**STATUS:** The MMS Gulf of Mexico regional office will complete the environmental assessment of deepwater oil and gas operations and activities in the Gulf of Mexico by June/July, 1999. A series of papers presenting the technical description of deepwater facilities and operations will be published as a companion document. The OCS oil and gas industry has actively participated in ensuring the technical accuracy of these technical descriptions.

### **HIGHLIGHTS & BENEFITS:**

#### **Fostering Economic Growth:**

- Western Gulf of Mexico Sale 168 in 1997 was the largest ultra-deepwater (greater than 800 meters) lease sale in the history of the OCS Program.

#### **Environmentally Sound and Safe Activities:**

- The Deepwater EA will be used to identify and evaluate the significance of impacts from OCS deepwater activities and to focus subsequent NEPA documents.
- The Deepwater EA is just one component of an overall MMS Deepwater Strategy, which includes focusing Environmental Studies Program and Technical Assessment and Research projects on deepwater issues.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Submitting Bids at OCS Lease Sales via Electronic Funds Transfer (MMS)**

**PURPOSE:** After considering a number of alternatives, the MMS decided to offer bidders in Sale 168, Western Gulf of Mexico held in August 1997, the option of submitting the 1/5 cash bonus bid, required to be submitted with each bid on an OCS block, by electronic funds transfer (EFT). As the Nation moves into the twenty-first century, we have an opportunity to use advances in information technology to modernize the current bidding procedures for OCS lease sales with an electronic bidding process. True efficiencies and cost savings might be achieved. Current bid submission procedures require that the 1/5 cash bonus bid be submitted with the bid in cash, cashier's check, bank draft, or certified check.

**STATUS:** The MMS has published a proposed revision to 30 CFR 256.46(b) to allow the bureau the flexibility to require a specific method or methods of payment of the deposit on bonus bids submitted at OCS lease sales. As technology changes, we will require bidders to use automated payment methods when they are appropriate.

Since August 1997, we have offered prospective bidders the option of using EFT to submit their 1/5 bonus payment rather than a check or bank draft. For the last two Gulf of Mexico sales in August 1998 and March 1999, over 90 percent of high bonus bids were submitted using EFT. This revision allows flexibility so that we can specify the method of bonus payment that is most efficient and administratively advantageous to the Government and industry.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- Submitting bids via EFT reduces costs, decreases industry's bid preparation workload, decreases paperwork, and ensures more accurate, quicker deposit of bid amounts.

#### **Ensuring a Fair Return on Public Resources:**

- EFT reduces government costs, allows bids to be deposited to the U.S. Treasury more quickly enabling more interest to be earned on deposits.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Post-Lease Operations (Subpart A Rule) (MMS)**

**PURPOSE:** MMS has issued a proposed rule which updates and clarifies our existing regulations regarding post-lease operations on the OCS, and places an emphasis on performing safe offshore natural gas and oil operations. Under the proposed rule MMS will have the authority to disqualify operators from acquiring additional leases if they have repeated poor safety performance, and in extreme cases, MMS could revoke a company's status as a designed operator. The rule also requires operators to provide MMS with written accident reports. These reports will help MMS to better understand the various factors causing accidents and to prevent similar types of accidents from happening.

**STATUS:** The proposed rule was published in the Federal Register on February 13, 1998. A final rule will be published by July of 1999.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- The proposed rule is written in plain English, and streamlines the Subpart A regulations and provides numerous tables to present previously hard-to-read text.

#### **Environmentally Sound and Safe Activities:**

- Safety is MMS's highest priority for offshore operations, and this regulation will strengthen our effort to make certain that our standards are as high as possible.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Lease Decommissioning (MMS)**

**PURPOSE:** MMS is updating the decommissioning regulations. We are gathering information on explosive versus non-explosive technologies, and site clearance concerns. More than 50 percent of the world's platforms are in the OCS. Furthermore, more than a quarter of the 3,800 platforms are more than 25 years old. As industry decommissions platforms and pipelines, it is important that the relevant technologies, policies, and regulations be in place to address the concerns of the public and industry.

**STATUS:** The MMS has drafted a proposed update of regulations to plug wells (abandon), remove platforms, decommission pipelines, relinquish rights-of-way, and clear sites. The draft proposal was sent to other bureau offices for comment on February 25, 1999. Comments are due by April 26, 1999. The updated regulations incorporate the following:

- Comments from decommissioning workshops;
- Comments from the National Research Council;
- Comments from the annual regulatory review;
- All of the decommissioning requirements into one subpart;
- Applicable Notices to Lessees and Letters to Lessees;
- Lease document requirements pertaining to removals; and
- Our artificial reef policy.

The MMS plans to publish the proposed rule by December 1999.

### **HIGHLIGHTS AND BENEFITS:**

#### **Building a Better Government:**

- The regulations will be written in "Plain English" to be easier to understand and will be flexible enough to accommodate the complex issues without compromising environmental concerns.

#### **Environmentally Sound and Safe Activities:**

- Safety is MMS's highest priority on the OCS. The regulations will help MMS ensure that decommissioning is conducted in an environmentally sound and safe manner.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: High Energy Seismic Surveys (MMS)**

**PURPOSE:** In 1998, MMS coordinated with the California State Lands Commission and conducted a National Environmental Policy Act (NEPA) review of high energy seismic surveys on marine mammals and take steps to monitor and mitigate any potential harmful effects of seismic surveys conducted for prelease investigations or exploration or development on leases in southern California.

**STATUS:** The MMS headquarters and regions reviewed issues associated with seismic surveys, in particular, and geological and geophysical (G&G) surveys, in general, for each OCS region. The MMS reviewed all current G&G survey technology, the 1976 EIS for G&G Explorations on the OCS and the 1984 Environmental Assessment on G&G Activities in the Gulf of Mexico, and identified which activities required an Environmental Assessment. In May 1999, MMS will select a contractor to perform an Environmental Assessment for G&G surveys in the Gulf of Mexico OCS. The assessment will be complete in about a year. The Alaska and Pacific OCS Regions may also conduct subsequent NEPA analyses. The timing of the NEPA analysis in the Pacific Region will coincide with future high energy seismic surveys.

### **HIGHLIGHTS AND BENEFITS:**

#### **Building a Better Government:**

- MMS is coordinating with other federal agencies, the State of California, environmental groups, and the seismic industry to pool resources, minimize conflicts and make the best use of available expertise.

#### **Environmentally Sound and Safe Activities:**

- The MMS is committed to ensuring that exploration and development be conducted in an environmentally sound and safe manner. This study will help MMS assess the effects of high energy seismic surveys on marine mammals and develop measures to mitigate any harmful effects.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Oil and Gas Drilling Operations (MMS)**

**PURPOSE:** MMS is updating the drilling regulations, found at 30 CFR 250, Subpart D to rewrite the requirements in "Plain English" and reflect current drilling technology. These regulations address drilling programs, well control systems, well casing and cementing, and drilling fluid programs. The regulations also contain information on how to apply for drilling permits and recordkeeping requirements.

**STATUS:** The revised proposed rule, Subpart D - Drilling Operations, should be published in early summer, 1999.

### **HIGHLIGHTS AND BENEFITS:**

#### **Building a Better Government:**

- The regulations will be streamlined and written in "Plain English" to be easier to understand. It will also remove some overly prescriptive requirements.

#### **Environmentally Sound and Safe Activities:**

- The MMS is committed to ensuring drilling operations be conducted in a safe manner. These regulations will update MMS requirements to reflect changes in methodology and the current state of technology.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Exploration and Development Plans (MMS)**

**PURPOSE:** The MMS is rewriting the regulations regarding Exploration and Development Plans to streamline and consolidate the extensive information requirements. The regulations will update requirements to reflect current procedures.

**STATUS:** The proposed rule will be issued by September 1999.

### **HIGHLIGHTS AND BENEFITS:**

#### **Building a Better Government:**

- The regulations will be streamlined and written in "Plain English" to be easier to understand.

#### **Environmentally Sound and Safe Activities:**

- The MMS is committed to ensuring exploration and development is conducted in a safe manner. These regulations will update MMS requirements to reflect changes in procedures and the current state of technology.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: OCS Lease Sales - Gulf of Mexico (MMS)**

**PURPOSE:** The production from leases issued as a result of these sales will contribute substantially to domestic oil and gas production and will provide bonuses, rentals and associated royalties to both the U.S. Treasury and bordering states.

**STATUS:** Central Gulf of Mexico Lease Sale 172 was held on March 17, 1999 for areas located offshore Louisiana, Mississippi, and Alabama. The sum of all 272 bids received on 207 tracts totaled \$199,638,752, with the sum of high bids totaling \$171,804,696.

Western Gulf of Mexico Lease Sale 174: The Notice of Availability of the Proposed Notice of Lease Sale 174 was published in the Federal Register in April 1999. The Final Notice of Sale is scheduled to be publicly available in mid-July 1999. The sale is tentatively set for August 25, 1999, in New Orleans, Louisiana.

Eastern Gulf of Mexico Lease Sale 181: On January 25, 1999, the first step in a three-year planning process began for proposed Eastern Gulf of Mexico Lease Sale 181 with the issuance of the Call for Interest and Information (Call) and the Notice of Intent (NOI) to Prepare an Environmental Impact Statement. The Call/NOI is an information gathering step to ensure that all interests and concerns regarding the proposed sale are considered.

### **HIGHLIGHTS & BENEFITS:**

#### **Fostering Economic Growth:**

- Production from leases issued as a result of these sales will substantially contribute to domestic oil and gas production. Investments in and production of OCS oil and gas generate billions of dollars annually in bonuses, royalties, and taxes and create thousands of well paying jobs throughout the American economy.

#### **Ensuring a Fair Return on Public Resources:**

- MMS conducts bid adequacy reviews on bids submitted for OCS leases to ensure that the American people receive a fair return for their resources.

#### **Environmentally Sound and Safe Activities:**

- Production of offshore resources under proper environmental safeguards poses less risk of an oil spill than does importing foreign oil in tankers.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Safety and Environmental Management Program (SEMP) (MMS)**

**PURPOSE:** MMS is working with industry to promote the voluntary adoption of SEMF by all OCS operators. The SEMF concept is designed for use by offshore operators to reduce the risk of accidents and pollution events associated with their operations by establishing clear safety goals and management tools for achieving them. The SEMF concept is currently embodied by the American Petroleum Institute's Recommended Practice 75 (RP75). Our current efforts under SEMF entail working cooperatively with industry to develop widely-used, commonly-defined measures of safety and environmental performance and to obtain data from OCS operators on these measures. This data will be reported back to industry and can be used by both them and the MMS to better focus our resources where they can be most effective and are needed most. This approach was confirmed in a related Federal Register notice in August 1997.

**STATUS:** In March 1999, MMS asked all OCS oil and gas operators to submit several types of operating performance data for 1998. The MMS will use these data to make industry-level determinations about SEMF elements that need more work and to identify specific operators who performed well with respect to those elements. During October, 1999, MMS and industry will cosponsor two workshops to present results of the performance data analysis and to allow good performers to share the reasons for their success.

The performance data analysis is part of the broader SEMF initiative which is an ongoing project. For the foreseeable future, SEMF will serve as the basis for much of the MMS-industry collaborative effort to enhance protection of offshore workers and the environment.

### **HIGHLIGHTS & BENEFITS:**

#### **Environmentally Sound and Safe Activities:**

- The SEMF initiative is focused solely on enhancing industry efforts to protect both their people and facilities, as well as the marine environment.
- Our SEMF initiative is the backbone of many companies safety management systems.
- We have worked collaboratively with every major trade organization and many company representatives to develop and improve this model, as well as to promote its adoption.

### **CONTACT:**

Lyn Herdt (202) 208-3985



### **ISSUE: Suspensions of Stripper Well Leases (BLM)**

**PURPOSE:** Due to low oil prices, the BLM issued a new policy allowing field offices to approve suspensions of operations and production (SOOP) on leases that contain stripper oil properties. This policy allows operators to maintain their lease, thereby conserving the oil resources until it becomes economical to continue production.

**STATUS:** This policy was established in early February 1999, after input from the BLM's field offices. It will remain in effect for 2 years or until the price of West Texas Intermediate oil is at or above \$15 per barrel for 90 consecutive pricing days. This policy supplements the stripper well royalty rate reduction program established in 1992, which the BLM extended in 1998.

### **HIGHLIGHTS & BENEFITS:**

#### **Fostering Economic Growth, Building a Better Government:**

- A SOOP will suspend the requirement to pay rental or minimum royalties and prevent lease expiration during the suspension. In addition, the amount of time the lease is suspended will be added to a lease's normal term. This will help operators economically while oil prices are low.

#### **Building a Better Government:**

- For ease of administration and to minimize the burden on industry, the application requirement is a simple one-sentence, one-page request from the operator signed by the lease owners.

### **CONTACT:**

Celia Boddington (202) 452-5125



### **ISSUE: Leasing in the National Petroleum Reserve Alaska (NPR-A) (BLM)**

**PURPOSE:** The BLM is holding an oil and gas lease sale for the northeast corner of the National Petroleum Reserve-Alaska (NPR-A). This will be the first sale held since extensive environmental analysis was completed in October 1998. The BLM prepared an Integrated Activity Plan (IAP) to analyze appropriate land uses. During preparation of the plan, various interested groups provided comments. The State of Alaska and the North Slope Borough were extensively consulted in the planning process. Based on that plan, Secretary Babbitt signed a final Record of Decision on October 7, 1998. Secretary Babbitt noted in his announcement on the decision to lease that, "This is a balanced plan that carefully weighed the impacts on a fragile Arctic landscape and its abundant wildlife with the long-term economic future of Alaskans."

**STATUS:** The BLM plans to hold the sale on May 5, 1999. The Notice of Sale was published in the Federal Register on April 5, which detailed the specifics of the sale, including royalty and rental rates and minimum bids.

### **HIGHLIGHTS & BENEFITS:**

#### **Ensuring Environmentally Sound and Safe Activities:**

- The careful study of this issue in the IAP ensures that leasing will be undertaken in an environmentally sound manner in the NPR-A.

#### **Ensuring a Fair Return on Public Resources**

- Leasing appropriate sites will return royalties to both the State of Alaska and the U.S. Treasury.

#### **Building a Better Government:**

- By carefully studying this issue and determining appropriate areas for leasing ensures a balanced approach to resource management and development in the NPR-A.

#### **Fostering Economic Growth:**

- BLM will make available approximately 4.6 million acres of a largely undeveloped land for exploration and development, providing for economic growth in the State of Alaska and for the Alaska Natives and Native Corporations.
- Any oil and gas reserves discovered will enhance the goal of ensuring a secure energy source.

### **CONTACT:**

Celia Boddington (202) 452-5125



### **ISSUE: Access to Federal Lands Containing Natural Gas Resources (BLM)**

**PURPOSE:** At the request of the Secretary of Energy, the National Petroleum Council (NPC) has established an Access task force to look at concerns regarding the availability and use of natural gas located on Federal lands. The task force will provide recommendations to the Secretary on strategies and policies that best achieve natural gas availability from Federal lands. The Bureau will provide assistance to the task force regarding gas reserve estimates and related concerns from Federal lands.

One concern was the lack of access or availability of the resource on Federal lands due to conflicting policies or alternate uses of the land for competing purposes (e.g. Forest Service and National Park lands, wilderness, cultural and archeological areas). Specific concerns are that gas lands would be (or are already) withdrawn from availability; access to these lands are highly restricted through various stipulations; and the time taken to grant access to these lands is too lengthy. The Bureau wants the most efficient and timely process for providing access to lands suitable for development of gas while still meeting the goals of responsible multiple land use and sound, environmentally acceptable land management.

**STATUS:** The task force will be studying three areas in the Rocky Mountain region to analyze this issue and identify the gas resources that are not available for development due to some restriction on access. A final report is due to the Secretaries of Energy and Interior in the fall 1999.

### **HIGHLIGHTS & BENEFITS:**

#### **Ensuring Environmentally Sound Operations:**

- The use of natural gas, as a clean fuel, is an important factor in reducing greenhouse gases.

#### **Fostering Economic Growth:**

- Developing the gas reserves will provide substantial benefits to the local economies in addition to the royalty income received by the Federal and State treasuries.

#### **Building a Better Government:**

- The Bureau is committed to providing the greatest flexibility to industry to develop the public's gas resources.

### **CONTACT:**

Celia Boddington (202) 452-5125



### ISSUE: National Outreach for Oil and Gas Issues (BLM)

**PURPOSE:** To provide a public forum to focus on nationwide public lands issues related to petroleum exploration, development, and production in a regular and recurring fashion. The BLM will hold meetings to engage its customers and interested public in a dialogue to determine customer service trends and expectations. National outreach will promote understanding of mutual and interrelated concerns among environmentalists, industry, and the BLM.

**STATUS:** The initial meeting will be held late summer 1999 at a Field Office location convenient to oil and gas developers and local land users.

### HIGHLIGHTS & BENEFITS:

#### Building a Better Government:

- The BLM's 1998 Customer Satisfaction Survey shows an upward trend in customer satisfaction, which the BLM hopes to continue with its increased focus on customer outreach and customer service.

### CONTACT:

Celia Boddington (202) 452-5125



### **ISSUE: Oil and Gas Comprehensive Rule (BLM)**

**PURPOSE:** This proposed rule will simplify and streamline oil and gas processes, institute performance standards, and increase certain minimum bond amounts. It is part of the Department of Interior reinventing government initiative and would revise the current BLM Federal oil and gas leasing and operation regulations. It would also revise and replace current BLM unitization regulations with a more flexible unit agreement process.

**STATUS:** The BLM published the proposed rule in March and is preparing to hold public meetings across the country.

### **HIGHLIGHTS & BENEFITS:**

#### **Ensuring Environmentally Sound and Safe Activities:**

- The proposed rule will help ensure healthy environments by increasing minimum bond amounts.

#### **Ensuring a Fair Return on Public Resources:**

- Performance standards allow more flexibility for operators and at the same time ensure protection of the environment and Federal royalty interests.

#### **Building a Better Government:**

- The rule will streamline many application and reporting processes required of operators.
- Compliance with requirements will be easier because of easy-to-understand regulations.
- The proposal incorporates widely accepted industry standards.

### **CONTACT:**

Celia Boddington (202) 452-5125



### **ISSUE: Proposed Rule on Oil and Gas Drainage (BLM)**

**PURPOSE:** This proposed rule clarifies lessee responsibilities for protecting Federal oil and gas from drainage by wells on adjacent lands.

**STATUS:** Proposed rule was published January 13, 1998. At the request of industry, the BLM extended the comment period to May 15, 1998. The comment period has again been extended so the BLM may further consult with appropriate Native American groups.

### **HIGHLIGHTS & BENEFITS:**

#### **Ensuring Environmentally Sound and Safe Activities:**

- The rule clarifies obligations for environmental remediation.

#### **Ensuring a Fair Return on Public Resources:**

- This rule would help ensure that proper revenues are returned to the U.S. Treasury.

#### **Building a Better Government:**

- This effort responds to an Inspector General report and clarifies lessee responsibilities for protecting Federal oil and gas from drainage by wells producing on adjacent or nearby lands, when that responsibility begins and ends, and what actions are necessary to ensure that all obligations are met.
- The rule would lead to more efficient use of staff resources.
- The rule clarifies language that will likely reduce the number of appeals from industry that result from misunderstandings and imprecise language in the existing regulations.

### **CONTACT:**

Celia Boddington (202) 452-5125



### **ISSUE: Rights-of-Way (BLM)**

**PURPOSE:** The BLM is proposing to implement customer service standards and appropriate fees for right-of-way use and grants. This initiative would reorganize existing regulations, increase cost recovery fees, and provide for improved customer standards.

**STATUS:** The proposal is under review by within the Department. If published as is, the BLM expects a favorable response to improved customer service and reduction of processing time/backlog and concerns about the fee increases. Scheduled for publication in May 1999.

### **HIGHLIGHTS & BENEFITS:**

#### **Ensuring a Fair Return on Public Resources:**

- Revises rent and cost recovery procedures and policies to reflect changes in costs since the current regulations became effective in July 1987 and
- Eliminates automatic exemptions from cost recovery for Federal agencies except for those agencies and projects exempted by statute.

#### **Building a Better Government:**

- Clarifies how BLM will apply rent schedules for communication site rights-of-way and broadens the conditions for which BLM will require advance payment of rent.
- Improves usage efficiency by providing for short-term rights-of-way instead of temporary use permits for rights-of-way issued under the Federal Land Policy and Management Act of 1976.
- Reorganizes regulatory material reflecting the sequence in which the BLM acts on applications. This will make the requirements easier to understand.

### **CONTACT:**

Celia Boddington (202) 452-5125



### **ISSUE: Amending Appeals & Hearing Procedures (BLM)**

**PURPOSE:** The BLM is proposing to amend its regulations for administrative review procedures, including modification of State Director Review, to provide more consistency for review of BLM decisions. The proposed rule clarifies when and how BLM decisions go into effect and whether an appeal will stay a BLM decision.

**STATUS:** The proposed rule was published on October 17, 1996. Based on significant public comment, it will be re-proposed in 1999.

### **HIGHLIGHTS & BENEFITS:**

#### **Ensuring Environmentally Sound and Safe Activities:**

- The amendment provides for more timely resolution of environmental concerns and issues related to the approval of permits and authorizations.

#### **Building a Better Government, Fostering Economic Growth:**

- This change helps reduce the backlog of formal protests and appeals, saves BLM customers from costly delays, and fosters better relations between BLM and its customers.

#### **Building a Better Government:**

- The amendment gives people who hold certain permits and authorizations and are cited for violating their authorization a way to resolve disputes without filing a formal appeal.

### **CONTACT:**

Celia Boddington (202) 452-5125



### **ISSUE: Cost Recovery (BLM)**

**PURPOSE:** This proposed rule would create or increase fees to cover the costs incurred by the BLM to process many of the applications for permitting and reporting activities related to Federal oil and gas leases. Some fees will be based on average processing costs where those costs are predictable. Fees for more variable costs will be determined on a case-by-case basis. Increases in these fees have been recommended by the Department of the Interior's Office of the Inspector General.

**STATUS:** The proposed draft rule is under review and scheduled to be released in late 2000.

### **HIGHLIGHTS & BENEFITS:**

#### **Ensuring a Fair Return on Public Resources:**

- The BLM would be reimbursed for the costs it incurs to process some of the industry-generated permit applications and approvals. Costs would be paid by those entities who receive the most benefit.

#### **Building a Better Government:**

- Fee reimbursement will allow improvements in BLM's permitting processes by expediting application processing and allowing for greater accountability to applicants.

### **CONTACT:**

Celia Boddington (202) 452-5125



### **ISSUE: Electronic Permitting (BLM)**

**PURPOSE:** To provide a means for the oil and gas industry to file most well applications and reports to the BLM electronically. The specific applications and reports in this process will be Notice of Staking, Application For Permit to Drill, Well Completion Report, and various Sundry Notices.

**STATUS:** The BLM plans that the internet web site for this system will be completed by June 1999. The system will then undergo pilot testing for several months (test locations will be decided in May 1999). The BLM plans for the system to be operational by the end of calendar year 1999.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- Filing electronically is an economically beneficial program to industry, and the BLM; it should result in a cost savings as it will ease the paperwork burden on industry.
- Electronic permitting is customer-oriented and should be more efficient, work better and result in more expedient processing and should enhance communications between industry and the BLM.

### **CONTACT:**

Celia Boddington (202) 452-5125



### **ISSUE: Cooperative Efforts With States (BLM)**

**PURPOSE:** To maintain the long-established cooperative working relationships that BLM has with the various State oil and gas regulatory agencies in pursuing their respective roles.

**STATUS:** The effort to expand the working relationships is being diligently pursued and will be ongoing indefinitely. The BLM is assisting the States in developing a certification program for State oil and gas inspectors. The BLM is also working with the States to develop joint BLM-State training curricula for oil and gas inspectors.

### **HIGHLIGHTS & BENEFITS:**

#### **Building a Better Government:**

- Combining training efforts will maximize scarce training funds for both the BLM and the States.
- The BLM and States will work together to promote a greater understanding of their respective roles in protecting the public's and states' interest.

### **CONTACT:**

Celia Boddington (202) 452-5125



### **ISSUE: Enhanced Oil and Gas Production Verification Efforts on Federal and Indian Lands (BLM)**

**PURPOSE:** BLM offices continually discover discrepancies in the volumes of production reported by operators while conducting production records reviews. To ensure accurate royalties for oil and gas production on lands under BLM's supervision, the agency is implementing plans to re-emphasize and improve its production verification program.

**STATUS:** Last year, BLM State Offices reviewed their verification practices and provided Washington a general plan on how they will conduct production records reviews. In FY1998, these efforts identified 7,923,798 MCF of natural gas and 130,804 bbls of oil and gas as being misreported.

#### **HIGHLIGHTS & BENEFITS:**

##### **Ensuring a Fair Return on Public Resources:**

- The BLM is committed to ensuring that all production from Federal and Indian lands are reported accurately, so that proper royalties can be collected.

##### **Building a Better Government:**

- This effort will make better use of information already collected from industry.

#### **CONTACT:**

Celia Boddington (202) 452-5125







